



STATE
NATIONAL
BANK

RECORDATION # 14027-C
FILED 1985

FEB 19 1985 10 45 AM

INTERSTATE COMMERCE COMMISSION

5-050A063

No.

Date FEB 19 1985

Fee \$ 20.00

ICC Washington, D.C.

February 13, 1985

Secretary
INTERSTATE COMMERCE COMMISSION
Washington, D.C. 20423

Dear Secretary,

I have enclosed two originals of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The document is a Security Agreement - Chattel Mortgage and Assignment of Lease and Lease Rights. This is a secondary document. The primary document to which this is connected is recorded under Recordation #14027, dated March 24, 1983.

The names and addresses of the parties to the document are as follows:

DEBTOR:	Merchants Investment Company 244 East West Court Suite 320 Palatine, Illinois 60067
CREDITOR:	State National Bank 1603 Orrington Avenue Evanston, Illinois 60204

EQUIPMENT DESCRIPTION:

AAR DESINATION	LO
IDENTIFYING MARKS	CREX 709 and CREX 710
LOAN CAPACITY	100 TON
CU. FT. CAPACITY	4100

A fee of \$20.00 is enclosed; \$10.00 for this recording and \$10.00 due on filing 14027-C. Please return any copies not needed by the Commission for recordation to State National Bank; 1603 Orrington Avenue; Evanston, Illinois 60204; Attn: Mr. Jeffrey Gardner. Our phone number is (312) 491-6000.



Secretary
INTERSTATE COMMERCE COMMISSION

February 13, 1985
Page Two

A short summary of the document to appear in the index follows:
Security Agreement - Chattel Mortgage and Assignment of Lease
between Merchants Investment Co., debtor and State National
Bank, creditor.

STATE NATIONAL BANK



Jeffrey D. Gardner
Vice President

JDG:cla

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

2/19/85

OFFICE OF THE SECRETARY

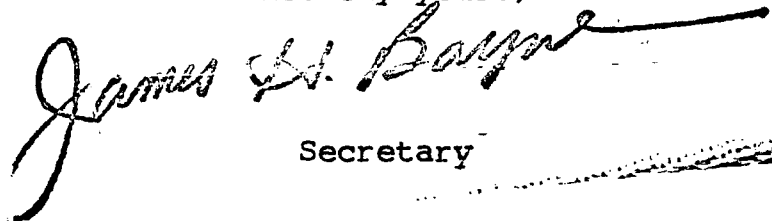
State National Bank
1603 Orrington Avenue
Evanston, Illinois 60204

Attn: Jeffrey Gardner

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/19/85 at 10:45am and assigned re-recording number(s). 14027 Dth

Sincerely yours,


Secretary

Enclosure(s)

FEB 19 1985 - 12:12 AM

SECURITY AGREEMENT INTERSTATE COMMERCE COMMISSION
(Chattel Mortgage and Assignment of Lease)

THIS AGREEMENT, dated as of February 1, 1985, is entered into by and between Merchants Investment ("Company") and State National Bank ("Bank"). In consideration of the mutual agreements contained herein, the parties hereto agree as follows:

(1) As security for the payment of all indebtedness ("Indebtedness") of the Company to the Bank, hereunder and under a promissory note (the "Note") in the original principal amount of \$ 25,000.00, dated Feb. 1, 1985 and payable by the Company to the Bank, the Company hereby assigns to the Bank, and grants to the Bank a security interest in, all the Company's right, title, and interest in and to property ("Collateral") consisting of (i) the equipment ("Equipment") described in ~~Schedule~~ Schedule Riders 3 & 4 ("Schedule") which is attached as Exhibit A hereto and any replacements thereof, (ii) the Equipment Lease Agreement ("Lease") referred to in Exhibit A hereto between the Company, as lessor, and the party name therein as lessee ("Lessee"), to the extent it applies to the Schedule and the Equipment being leased thereunder, (iii) all rental payments and other amounts payable hereafter under the Schedule by Lessee to the Company ("Lease Payments"), and (iv) all proceeds of any of the foregoing and of the insurance referred to in paragraph hereof.

(2) The Company warrants and agrees that (i) it has good title to the Equipment, the Schedule and Lease Payments, free of all liens and claims except for rights of the Lessee under the Lease, as it relates to the Schedule, and any liens and claims inferior and subordinate to the Bank's interest, (ii) it has the power and authority to, and does hereby convey to the Bank, a valid security interest in the Equipment as security for the obligations of the Lessee under the Schedule, (iii) the Note, this Agreement, Schedule and the Lease are valid and are enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforceability generally of the rights of creditors or lessors, (iv) there are no setoffs, counterclaims or defenses on the part of the Lessee with respect to the obligation of the Lessee to make Lease Payments, (v) the Equipment has been delivered to and accepted by the Lessee at the Lessee's address set forth in Exhibit A hereto and the Lease requires the Lessee to keep the Equipment at such address unless the Bank otherwise consents, (vi) it has delivered to the Bank a fully executed copy of the Schedule, which is, and will be the only copy marked "Secured Party's Original", (viii) it will not grant a security interest in the Collateral to any person other than

the Bank, and it will deliver to the Bank a release or subordination of any security interest heretofore granted in the Collateral to any other person, (viii) it will execute such financing statements, in connection herewith, as the Bank may reasonably request, and (ix) it will not amend or modify any provision of the Schedule or the Lease without the prior consent of the Bank.

(3) This Agreement shall not relieve the Company from or cause the Bank to be liable for, the obligations of the Company under the Schedule or Lease, except the Bank agrees not to disturb the Lessee's quiet use and enjoyment of the Equipment so long as no Event of Default has occurred and is continuing under the Lease. The Company also shall use its best efforts to cause the Lessee to perform Lessee's obligations under the Schedule and the Lease to the extent it relates to the Schedule. ~~All Lease Payments due after the date hereof are to be made by the Lessee directly to the Bank.~~ At any time that the Lease may be in default, the Bank also may exercise, at any time and from time to time, such rights, powers, and remedies of the Lessor under the Lease as the Bank may, in its sole discretion, deem to be appropriate. JDL

(4) Risk of loss of, damage to or destruction of the Equipment shall be borne by the Company (except any such risks which are to be borne by the Lessee under the Lease, unless the occurrence of such risk would entitle the Lessee to an abatement of Lease Payments as a result thereof) and the Company shall insure the Equipment against such risks to be borne by it in each case in an amount not less than the aggregate amount of the Lease Payments due from and after the date on which such risk might occur. All policies for such insurance shall contain loss payable clauses in favor of the Company and the Bank as their respective interest may appear. The Company hereby assigns and sets over unto the Bank all monies which may become payable on account of any such insurance and directs the insurers to pay the Bank and amounts so due to the extent said monies are not used to repair or replace said Equipment; provided that if the Lease is terminated in whole or in part as the result of said loss, damage or destruction, then the Bank shall receive all of the insurance proceeds applicable thereto to the full extent of said termination.

(5) If (i) the Company defaults in the payment of any principal or interest payable under the Note for more than five days after the Bank has given notice of such default to the Company, (ii) the Company defaults in the payment or performance of any other obligation of the Company hereunder or under the Note for more than fifteen days after the Bank has given notice of such default to the Company, (iii) any representation or warranty made herein by the Company shall prove to have been false or misleading in any material respect as of the date hereof and is not cured within fifteen days after the Bank has given notice to the Company

thereof, (iv) an Event of Default (as described in Section of the Lease) occurs under the Lease relating to the Schedule, then, if any event described in the above clauses (i) through (iii) shall be continuing, the Bank may at its option declare the Note to be due and payable, whereupon the unpaid principal and accrued interest on the Note shall become immediately due and payable and the Bank may exercise all rights and remedies (not inconsistent with the terms of the Schedule, the Lease as it relates to the Schedule, the Note or this Agreement) with respect to the Collateral, available to it under applicable law. The Bank shall be entitled to obtain reimbursement for all reasonable costs, attorneys' fees and legal expenses incurred by it in exercising such rights and remedies. The Bank agrees to pay forthwith to the Company an surplus remaining from the Collateral after payment of all Indebtedness.

(6) Notwithstanding any other provision of this Agreement, the Bank agrees that (i) its security interest and rights hereunder are subject to the rights of the Lessee under the Lease to the extent it relates to the Schedule, ~~(ii) the Company has and shall have no personal liability or obligation with respect to payment of the Indebtedness, which is payable solely from proceeds received by the Bank from the Bank's right, title and interest in and to the Collateral, except that the Company shall have personal responsibility for any loss or liability of the Bank arising out of a breach of the Company's representations, warranties or agreements herein (except only its agreement to pay principal and interest on the Note) and the payment thereof shall not be limited to the proceeds from the Collateral,~~ and (iii) upon payment in full, the Bank shall cancel the Note, this Agreement and UCC financing statements, if any, and shall promptly deliver all such cancelled documents to the Company.

(7) The Agreement and the Note shall be contracts made under and governed by the laws of Illinois. Whenever possible, each provision of the Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Any notice required or given hereunder shall be deemed properly given two business days after mailed, postage prepaid, addressed to the designated recipient at its address set forth herein or such other address as such party may advise the other party by notice given in accordance with this provision.

(8) This Agreement shall be binding upon, and shall inure to the benefit of, the successors and assigns of the Company and the Bank. The Bank agrees that, in the event of any transfer by it of the Note, it will endorse thereon a notation as to the portion of the principal of the Note which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

IN WITNESS WHEREOF, the Company and the Bank have duly executed and delivered this Agreement as of the day and year first above written.

MERCHANTS INVESTMENT CO

By: Thomas S. Schick

Title: PRESIDENT

STATE NATIONAL BANK

By: Jeffrey D. Gardner

Title: Vice President

January, 1985
cla